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Attorneys for Defendants

**FILED**  
Superior Court of California  
County of Los Angeles

APR 10 2019

Sherri R. Carter, Executive Officer/Clerk  
By Steven Drew, Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF LOS ANGELES

DAVID SHABBOUEI and ZALMON  
UVAYDOV, Derivatively on Behalf of  
SNAP INC.,

Plaintiffs,

v.

EVAN SPIEGEL,  
ROBERT MURPHY,  
MICHAEL LYNTON,  
STANLEY MERESMAN,  
A.G. LAFLEY,  
SCOTT D. MILLER,  
CHRISTOPHER YOUNG,  
JOANNA COLES,  
ANDREW VOLLERO,  
IMRAN KHAN,  
MITCHELL LASKY, and  
DOES 1-25, Inclusive,

Defendants.

-and-

SNAP INC., a Delaware Corporation,

Nominal Defendant

CASE NO.: 19STCV08413

**DECLARATION OF IGNACIO E.  
SALCEDA IN SUPPORT OF  
DEFENDANTS' MOTION TO SEAL  
PORTIONS OF COMPLAINT**

Hearing Date: May 2, 2019  
Hearing Time: 10:00 a.m.  
Department: 9  
Before: The Hon. Yvette M. Palazuelos

1 I, Ignacio E. Salceda do hereby declare as follows:

2 1. I am an attorney licensed to practice law in the State of California and before this  
3 Court. I am an attorney at the law firm of Wilson Sonsini Goodrich & Rosati, Professional  
4 Corporation, counsel for Defendants Snap Inc. ("Snap"), Evan Spiegel, Robert Murphy, Michael  
5 Lynton, Stanley Meresman, A.G. Lafley, Scott D. Miller, Christopher Young, Joanna Coles,  
6 Andrew Vollero, Imran Khan, and Mitchell Lasky (collectively, "Defendants"). I have personal  
7 knowledge of the facts set forth herein and, if called as a witness, could testify thereto.

8 2. Attached hereto as Exhibit 1 is a true and correct copy of the Stockholder  
9 Derivative Complaint ("Complaint"), reflecting the redactions of sensitive confidential  
10 information requested by Defendants.

11 3. On January 28, 2019, Plaintiffs David Shabbouei and Zalmon Uvaydov, and  
12 Snap, executed a Confidentiality Agreement in response to Plaintiffs' request to examine certain  
13 of Snap's books and records pursuant to 8 Del. C. § 220. A true and correct copy of this  
14 Confidentiality Agreement is attached hereto as Exhibit 2. Under the Confidentiality Agreement,  
15 the documents Snap produced to Plaintiffs pursuant to Plaintiffs' 8 Del. C. § 220 request may  
16 only be disclosed to limited persons and entities, and may only be used to investigate or litigate  
17 the claims alleged by Plaintiff in its inspection request pursuant to 8 Del. C. § 220.

18 4. The internal Snap documents cited by Plaintiffs in their Complaint were produced  
19 pursuant to the Confidentiality Agreement referenced above.

20 5. On April 8, 2019, Plaintiffs informed Defendants that they do not oppose  
21 Defendants' Motion to Seal, reserving all rights to seek to unseal the sealed material at a later  
22 stage.

23 I declare under penalty of perjury under the laws of the State of California that the  
24 foregoing is true and correct. Executed this 9th day of April, 2019 in Palo Alto, California.

25  
26   
27 Ignacio E. Salceda  
28

# EXHIBIT 1

04/15/2019

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LOS ANGELES SUPERIOR COURT

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9 SUPERIOR COURT OF THE STATE OF CALIFORNIA

10 COUNTY OF LOS ANGELES

11 DAVID SHABBOUEI and ZALMON  
12 UVAYDOV, Derivatively on Behalf of  
SNAP INC.,

13 Plaintiffs,

14 v.

15 EVAN SPIEGEL,  
ROBERT MURPHY,  
16 MICHAEL LYNTON,  
STANLEY MERESMAN,  
17 A.G. LAFLEY,  
SCOTT D. MILLER,  
18 CHRISTOPHER YOUNG,  
JOANNA COLES,  
19 ANDREW VOLLERO,  
IMRAN KHAN,  
20 MITCHELL LASKY, and  
DOES 1-25, Inclusive,

21 Defendants.

22 -and-

23 SNAP INC., a Delaware Corporation,

24 Nominal Defendant.  
25  
26  
27  
28

) Case No.

19STCV08413

) STOCKHOLDER DERIVATIVE  
) COMPLAINT FOR BREACH OF  
) FIDUCIARY DUTY, WASTE OF  
) CORPORATE ASSETS, AND UNJUST  
) ENRICHMENT

) LODGED CONDITIONALLY UNDER  
) SEAL - UNREDACTED

DEMAND FOR JURY TRIAL

1 Plaintiffs, by their attorneys, submit this Stockholder Derivative Complaint for Breach of  
2 Fiduciary Duty, Waste of Corporate Assets, and Unjust Enrichment. Plaintiffs allege the following on  
3 information and belief, except as to the allegations specifically pertaining to plaintiffs which are based  
4 on personal knowledge. This complaint is also based on the investigation of plaintiffs' counsel, which  
5 included, among other things, a review of public filings with the U.S. Securities and Exchange  
6 Commission ("SEC") and a review of news reports, press releases, and other publicly available sources.

### 7 NATURE AND SUMMARY OF THE ACTION

8 1. This is a stockholder derivative action brought by plaintiffs on behalf of nominal  
9 defendant Snap Inc. ("Snap" or the "Company") against certain of its officers and directors for breach of  
10 fiduciary duty, waste of corporate assets, unjust enrichment, and violations of law. These wrongs  
11 resulted in billions of dollars in damages to Snap's reputation, goodwill, and standing in the business  
12 community. Moreover, these actions have exposed Snap to billions of dollars in potential liability for  
13 violations of state and federal law.

14 2. Snap calls itself in its public filings "a camera company." It does not make cameras,  
15 however. Instead, its flagship product is Snapchat, an application for mobile devices that allow users to  
16 communicate through short videos and images called Snaps. Therefore, Snap is more akin to a social  
17 networking technology company like Facebook, Inc. ("Facebook") or Twitter than a camera company  
18 like Kodak.

19 3. Like many early stage technology companies, Snap has yet to record a profit. Thus, as it  
20 was preparing for its initial public offering ("IPO"), the Individual Defendants, as defined herein, told  
21 investors and the public to pay attention to what it described as its key performance indicators ("KPIs"),  
22 and most specifically of its daily active users ("DAUs"), rather than profits and losses.

23 4. In the documents filed in connection with the IPO, the Individual Defendants painted a  
24 rosy picture of Snap with drastically increasing year-over-year DAUs. Though DAU growth slowed in  
25 the most recently reported quarter, the Individual Defendants blamed that on "lumpiness" in growth that  
26 would soon turn around.

27 5. This was not true. The Company's DAU growth was drastically slowing as its primary  
28 competitor, Facebook's Instagram, copied many of Snapchat's features and rapidly took off in

1 popularity. In addition, the Company's historical DAU numbers were unreliable and inflated.

2 6. The internal books and records provided in response to plaintiffs' inspection demands  
3 demonstrated that the Individual Defendants knew these facts. They were constantly being updated on  
4 DAU growth, as well as reviewing the threat from Instagram. Moreover, they knew about the unreliable  
5 DAU numbers and had known for years.

6 7. In 2015, a recently hired employee at the Company discovered that Snap was overstating  
7 its DAUs and using unreliable programs to account for DAUs. This employee, Anthony Pompliano  
8 ("Pompliano"), brought these issues up directly to the Company's Chief Executive Officer and  
9 Cofounder, defendant Evan Spiegel ("Spiegel"). Defendant Spiegel, in turn, dismissed Pompliano's  
10 concerns and terminated his employment with Snap.

11 8. Pompliano, under seal, sued the Company for wrongful termination, among other things.  
12 The Individual Defendants, including Snap's Board of Directors (the "Board"), knew about this lawsuit  
13 and its allegations. Nevertheless, despite this being clearly material information, they failed to include  
14 any mention of the Pompliano lawsuit or its allegations in the Offering Documents (as defined herein).  
15 Further, when word of the Pompliano lawsuit began leaking to the press, the Individual Defendants  
16 caused or allowed Snap to deny any wrongdoing and disparage Pompliano as merely a disgruntled ex-  
17 employee.

18 9. Without any mention of Pompliano, his allegations, or slowing DAUs because of  
19 Instagram, the IPO was a success. The Company and other early investors sold 230 million shares at  
20 \$17 each. The Company sold approximately \$2.6 billion worth of stock. The Individual Defendants,  
21 either personally or through their investment funds, sold nearly \$900 million worth of their own  
22 personally held stock.<sup>1</sup>

23 10. However, when Pompliano's lawsuit was unsealed, his detailed allegations against Snap  
24 were supported by its own prior actions, namely reviewing and restating its DAUs back in 2015. Then,  
25 on May 10, 2017, reporting its results for the first time as a public company, Snap disclosed an anemic  
26

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27 <sup>1</sup> The Company's offering commenced on March 1, 2017 and closed on March 7, 2017.  
28

1 DAU growth rate.

2 11. Investors were disappointed. However, defendants attempted to prop up the Company's  
3 stock price by suddenly switching focus from DAUs to the type of growth the Company was  
4 experiencing. In particular, defendant Spiegel claimed that Snap did not engage in "growth hacking,"  
5 i.e., pushing out e-mails and other notices to get people to sign up for Snapchat inorganically.

6 12. However, even these statements were improper. The next quarter defendant Spiegel  
7 admitted that the Company engaged in the very growth hacking he previously disparaged.

8 13. In the wake of these disclosures, Snap's stock plunged more than 72%, or \$22 per share,  
9 from its relevant period high, to just \$4.99 per share on December 21, 2018, over \$13 billion from the  
10 high it reached soon after the IPO, and significantly below the Company's IPO price of \$17 a share.

11 14. Further, as a direct result of this unlawful course of conduct, Snap is now the subject of a  
12 federal securities class action lawsuit filed in the U.S. District Court for the Central District of California  
13 on behalf of investors who purchased Snap stock. This action has already survived the defendants'  
14 motions to dismiss under the exacting pleading standards of the Private Securities Litigation Reform  
15 Act. In addition, the Company and certain of the Individual Defendants were also sued in California  
16 state court on behalf of investors that bought in or traceable to the IPO. Finally, the Company has  
17 revealed that both the Department of Justice ("DOJ") and the SEC are investigating the statements it  
18 made to the public in connection with the IPO.

19 **JURISDICTION AND VENUE**

20 15. This Court has jurisdiction over all causes of action asserted herein pursuant to the  
21 California Constitution, Article VI, section 10, because this case is a cause not given by statute to other  
22 trial courts, as this derivative action is brought pursuant to section 800 of the California Corporations  
23 Code to remedy defendants' violations of law.

24 16. This Court retains general jurisdiction over each named defendant who is a resident of  
25 California. Additionally, this Court has specific jurisdiction over each named nonresident defendant  
26 because these defendants maintain sufficient minimum contacts with California to render jurisdiction by  
27 this Court permissible under traditional notions of fair play and substantial justice. Snap is  
28 headquartered in California, and because the allegations contained herein are brought derivatively on

1 behalf of Snap, defendants' conduct was purposefully directed at California. Finally, exercising  
2 jurisdiction over any nonresident defendant is reasonable under these circumstances.

3 17. Venue is proper in this Court because one or more of the defendants either resides in or  
4 maintains executive offices in this County, a substantial portion of the transactions and wrongs  
5 complained of herein, including the defendants' primary participation in the wrongful acts detailed  
6 herein and aiding and abetting and conspiracy in violation of fiduciary duties owed to Snap occurred in  
7 this County, and defendants have received substantial compensation in this County by doing business  
8 here and engaging in numerous activities that had an effect in this County.

9 **THE PARTIES**

10 **Plaintiffs**

11 18. Plaintiff David Shabbouei was a stockholder of Snap at the time of the wrongdoing  
12 complained of, has continuously been a stockholder since that time, and is a current Snap stockholder.  
13 Plaintiff Shabbouei first purchased Snap stock on March 2, 2017, and has continued to hold since that  
14 date. In addition, plaintiff has standing to challenge the pre-IPO conduct pursuant to section 800(b) of  
15 the California Corporations Code.

16 19. Plaintiff Zalmon Uvaydov was a stockholder of Snap at the time of the wrongdoing  
17 complained of, has continuously been a stockholder since that time, and is a current Snap stockholder.  
18 Plaintiff Uvaydov first purchased Snap stock on March 2, 2017, and has continued to hold since that  
19 date. In addition, plaintiff has standing to challenge the pre-IPO conduct pursuant to section 800(b) of  
20 the California Corporations Code.

21 **Nominal Defendant**

22 20. Nominal defendant Snap is a Delaware corporation with principal executive offices  
23 located at 2772 Donald Douglas Loop North, Santa Monica, California. Snap is a camera company  
24 whose flagship product is Snapchat, a camera application that allows users to communicate visually  
25 through short videos and images called Snaps. The Company generates revenue primarily through  
26 advertising to users. As of December 31, 2018, the company had approximately 2,884 employees.



**Defendants**

21. Defendant Spiegel is Snap's Cofounder, Chief Executive Officer, and a director and has been since May 2012. Defendant Spiegel was a member of Snap's Pricing Committee that was formed to establish the price at which Snap shares would be sold in the IPO. Defendant Spiegel is named as a defendant in one related class action complaint that alleges he violated sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and sections 11 and 15 of the Securities Act of 1933 (the "Securities Act"); one class action complaint that alleges he violated sections 11 and 15 of the Securities Act; and one class action complaint that alleges he violated section 11 of the Securities Act. While in possession of material, nonpublic information concerning Snap's true business health, defendant Spiegel sold sixteen million shares of his stock for \$272 million in proceeds. Snap paid defendant Spiegel the following compensation as an executive:

Year	Salary	Bonus	Stock Awards	All Other Compensation	Total
2018	\$1	-	-	\$800,846	\$800,847
2017	\$98,078	-	\$636,612,889	\$1,079,925	\$637,790,892
2016	\$503,205	\$1,000,000	-	\$901,635	\$2,404,840

22. Defendant Robert Murphy ("Murphy") is Snap's Cofounder, Chief Technology Officer, and a director and has been since May 2012. Defendant Murphy is named as a defendant in one related class action complaint that alleges he violated sections 10(b) and 20(a) of the Exchange Act and sections 11 and 15 of the Securities Act, and one class action complaint that alleges he violated section 11 of the Securities Act. While in possession of material, nonpublic information concerning Snap's true business health, defendant Murphy sold sixteen million shares of his stock for \$272 million in proceeds. Snap paid defendant Murphy the following compensation as an executive:

Year	Salary	All Other Compensation	Total
2018	\$19,232	\$8,584	\$27,816
2017	\$250,000	\$52,247	\$302,247

23. Defendant Michael Lynton ("Lynton") is Snap's Chairman of the Board and has been since September 2016 and a director and has been since April 2013. Defendant Lynton was a member of Snap's Pricing Committee that was formed to establish the price at which Snap shares would be sold

1 in the IPO. Defendant Lynton is also a member of Snap's Audit Committee and has been since January  
2 2018. Defendant Lynton is named as a defendant in one related class action complaint that alleges he  
3 violated sections 11 and 15 of the Securities Act, and one class action complaint that alleges he violated  
4 section 11 of the Securities Act. While in possession of material, nonpublic information concerning  
5 Snap's true business health, defendant Lynton sold 102,670 shares of his stock for over \$1.7 million in  
6 proceeds. Snap paid defendant Lynton the following compensation as a director:

<b>Fiscal Year</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards</b>	<b>Option Awards</b>	<b>Total</b>
2018	\$42,500	\$120,409	\$125,194	\$288,103

9 24. Defendant Stanley Meresman ("Meresman") is a Snap director and has been since July  
10 2015. Defendant Meresman is also Chairman and a member of Snap's Audit Committee and has been  
11 since at least February 2017. Defendant Meresman was also a member of Snap's Pricing Committee that  
12 was formed to establish the price at which Snap shares would be sold in the IPO. Defendant Meresman  
13 is named as a defendant in one related class action complaint that alleges he violated sections 11 and 15  
14 of the Securities Act, and one class action complaint that alleges he violated section 11 of the Securities  
15 Act. Snap paid defendant Meresman the following compensation as a director:

<b>Fiscal Year</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards</b>	<b>Option Awards</b>	<b>Total</b>
2018	\$25,000	\$120,409	\$125,194	\$270,603

18 25. Defendant A.G. Lafley ("Lafley") is a Snap director and has been since July 2016.  
19 Defendant Lafley was a member of Snap's Pricing Committee that was formed to establish the price at  
20 which Snap shares would be sold in the IPO. Defendant Lafley is named as a defendant in one related  
21 class action complaint that alleges he violated sections 11 and 15 of the Securities Act, and one class  
22 action complaint that alleges he violated section 11 of the Securities Act. Snap paid defendant Lafley  
23 the following compensation as a director:

<b>Fiscal Year</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards</b>	<b>Option Awards</b>	<b>Total</b>
2018	\$202,917	\$120,409	\$125,194	\$448,520
2017	\$200,000	-	-	\$200,000

27 26. Defendant Scott D. Miller ("Miller") is a Snap director and has been since October 2016.  
28 Defendant Miller is also a member of Snap's Audit Committee and has been since at least February

2017. Defendant Miller is named as a defendant in one related class action complaint that alleges he violated sections 11 and 15 of the Securities Act, and one class action complaint that alleges he violated section 11 of the Securities Act. Snap paid defendant Miller the following compensation as a director:

Fiscal Year	Fees Paid in Cash	Stock Awards	Option Awards	Total
2018	\$39,167	\$120,409	\$125,194	\$284,770
2017	\$35,000	-	-	\$35,000

27. Defendant Christopher Young ("Young") is a Snap director and has been since October 2016. Defendant Young was also a member of Snap's Audit Committee from at least February 2017 to January 2018. Defendant Young is named as a defendant in one related class action complaint that alleges he violated sections 11 and 15 of the Securities Act, and one class action complaint that alleges he violated section 11 of the Securities Act. Snap paid defendant Young the following compensation as a director:

Fiscal Year	Fees Paid in Cash	Stock Awards	Option Awards	Total
2018	\$54,167	\$120,409	\$125,194	\$299,770
2017	\$35,000	-	-	\$35,000

28. Defendant Joanna Coles ("Coles") is a Snap director and has been since December 2015. Defendant Coles is named as a defendant in one related class action complaint that alleges she violated sections 11 and 15 of the Securities Act, and one class action complaint that alleges she violated section 11 of the Securities Act. Snap paid defendant Coles the following compensation as a director:

Fiscal Year	Fees Paid in Cash	Stock Awards	Option Awards	Total
2018	\$39,167	\$120,409	\$125,194	\$284,770
2017	\$35,000	\$861,179	-	\$896,179

29. Defendant Andrew Vollero ("Vollero") was a Snap's Nonemployee Advisor from May 2018 to August 2018; Chief Financial Officer from February 2016 to May 2018; and Vice President, Finance from August 2015 to February 2016. Defendant Vollero is named as a defendant in one related class action complaint that alleges he violated sections 10(b) and 20(a) of the Exchange Act and sections 11 and 15 of the Securities Act; one class action complaint that alleges he violated sections 11 and 15 of the Securities Act; and one class action complaint that alleges he violated section 11 of the Securities

1 Act. Snap paid defendant Vollero the following compensation as an executive:

Year	Salary	Stock Awards	All Other Compensation	Total
2018	\$176,539	\$15,926,542	\$661,245	\$16,764,326

5 30. Defendant Imran Khan ("Khan") was a Snap's Chief Strategy Officer from January 2015  
6 to November 2018. Defendant Khan is named as a defendant in one related class action complaint that  
7 alleges he violated sections 10(b) and 20(a) of the Exchange Act, and one class action complaint that  
8 alleges he violated sections 11 and 15 of the Securities Act. Snap paid defendant Khan the following  
9 compensation as an executive:

Year	Salary	Bonus	Stock Awards	All Other Compensation	Total
2018	\$391,154	-	\$2,372,615	\$28,737	\$2,792,506
2017	\$441,923	-	\$100,061,275	\$69,728	\$100,572,926
2016	\$241,539	\$5,239,460	-	\$14,658	\$5,495,657

14 31. Defendant Mitchell Lasky ("Lasky") was a Snap director from December 2012 to August  
15 2018. Defendant Lasky was a member of Snap's Pricing Committee that was formed to establish the  
16 price at which Snap shares would be sold in the IPO. Defendant Lasky is named as a defendant in one  
17 related class action complaint that alleges he violated sections 11 and 15 of the Securities Act, and one  
18 class action complaint that alleges he violated section 11 of the Securities Act. Lasky is a partner at  
19 Benchmark Capital, a Silicon Valley venture capital firm that, through its affiliates, was one of Snap's  
20 largest investors. Benchmark Capital sold nearly 10.7 million shares of its Snap stock directly to the  
21 public in the IPO and another 9.3 million shares to the Company's underwriters. In total, defendant  
22 Lasky, through Benchmark Capital, sold twenty million shares of its Snap stock on March 7, 2017, for  
23 proceeds of \$340 million.

24 32. The defendants identified in ¶¶21-22, 29-30 are referred to herein as the "Officer  
25 Defendants." The defendants identified in ¶¶21-28, 31 are referred to herein as the "Director  
26 Defendants." The defendants identified in ¶¶24, 26-27 are referred to herein as the "Audit Committee  
27 Defendants." The defendants identified in ¶¶21, 23-25, 31 are referred to herein as the "Pricing  
28 Committee Defendants." The defendants identified in ¶¶21-23, 31 are referred to herein as the "Insider

1 Selling Defendants." Collectively, the defendants identified in ¶¶21-31 are referred to herein as the  
2 "Individual Defendants."

3 33. The true names and capacities of defendants sued herein under California Code of Civil  
4 Procedure section 474 as Does 1-25, inclusive, are presently not known to plaintiffs, who therefore sue  
5 these defendants by such fictitious names. Plaintiffs will seek to amend this complaint and include these  
6 Doe defendants' true names and capacities when they are ascertained. Each of the fictitiously named  
7 defendants is responsible in some manner for the conduct alleged herein and for the injuries suffered.

### 8 DUTIES OF THE INDIVIDUAL DEFENDANTS

#### 9 **Fiduciary Duties**

10 34. By reason of their positions as officers and directors of the Company, each of the  
11 Individual Defendants owed and owe Snap and its stockholders fiduciary obligations of trust, loyalty,  
12 good faith, and due care, and were and are required to use their utmost ability to control and manage  
13 Snap in a fair, just, honest, and equitable manner. The Individual Defendants were and are required to  
14 act in furtherance of the best interests of Snap and not in furtherance of their personal interest or benefit.

15 35. To discharge their duties, the officers and directors of Snap were required to exercise  
16 reasonable and prudent supervision over the management, policies, practices, and controls of the  
17 financial affairs of the Company. By virtue of such duties, the officers and directors of Snap were  
18 required to, among other things:

19 (a) accurately guide the investing public and other constituents about the state of the  
20 Company's business;

21 (b) refrain from acting on the basis of material, nonpublic information:

22 (c) conduct the affairs of the Company in an efficient, business-like manner in  
23 compliance with all applicable laws, rules, and regulations so as to make it possible to provide the  
24 highest quality performance of its business, to avoid wasting the Company's assets, and to maximize the  
25 value of the Company's stock; and

26 (d) remain informed as to how Snap conducted its operations, and, upon receipt of  
27 notice or information of imprudent or unsound conditions or practices, make reasonable inquiry in  
28 connection therewith, and take steps to correct such conditions or practices and make such disclosures as

1 necessary to comply with applicable laws.

2 36. The Company has a Code of Conduct that memorializes some of these duties. The Code  
3 of Conduct applies to "all [Snap's] personnel, including officers, directors, employees, and interns."

4 37. The Code of Conduct instructs people to notify management immediately if there are  
5 concerns about user data, stating, "If you have questions about user data, or if you learn of a potential  
6 incident involving user data, please report it immediately on the Privacy page of the company Intranet."

7 38. Concerning disclosing the Company's financial information, the Code of Conduct  
8 explains: "Securities laws call for full, fair, accurate, timely, and understandable disclosures in Snap  
9 Inc.'s periodic reports. You must not take any action that might lead to inaccuracies in our public filings,  
10 and you must notify the finance or compliance teams if you learn of any inaccuracies in our books and  
11 records."

12 39. Specifically concerning fiduciaries, the Code of Conduct explains:

13 Directors, officers, and compliance executives hold unique and privileged positions of  
14 authority. They are expected to lead by example and will be held to a higher standard of  
15 conduct. The Board of Directors will form a special committee represented by  
16 independent legal counsel to investigate alleged violations of this Code by such  
17 personnel.

18 40. The Company also has Corporate Governance Guidelines that address what it means to  
19 be a director at the Company. In particular, the Guidelines state:

#### 20 **ROLE OF THE BOARD OF DIRECTORS**

21 Our stockholders select directors to provide oversight and strategic guidance to senior  
22 management. A director's responsibility is to fulfill his or her fiduciary duties of care and  
23 loyalty, and otherwise to exercise his or her business judgment in the best interests of  
24 Snap Inc. and our stockholders. Board service requires significant time and attention.  
25 More specifically, the Board has responsibilities to review, approve, and monitor  
26 fundamental financial and business strategies, assess Snap Inc.'s major risks, and consider  
27 ways to address those risks, select and oversee management, and establish and oversee  
28 processes to maintain Snap Inc.'s integrity. To fulfill their duties, directors must prepare  
for meetings and discussions with management, participate in Board meetings, review  
relevant materials, and serve on committees. We expect directors to maintain an attitude  
of constructive involvement and oversight, ask relevant and incisive questions, and  
demand honest and accurate answers. Directors must act with integrity and we expect  
them to demonstrate a commitment to Snap Inc., our values, our business, and long-term  
stockholder value.

## CONFIDENTIALITY

Directors have an obligation to protect and keep confidential all Snap Inc. non-public information unless Snap Inc. has authorized public disclosure or unless otherwise required by applicable law. Confidential information includes all non-public information entrusted to or obtained by a director by reason of his or her position on the Board. This includes information regarding Snap Inc.'s strategy, business, finances, and operations, and will include minutes, reports, and materials of the Board and committees, and other documents identified as confidential by Snap Inc.

Directors may not use Confidential information for personal benefit or to benefit other persons or entities other than Snap Inc. Unless authorized by Snap Inc. or applicable law, directors will refrain from disclosing confidential information to anyone outside Snap Inc., especially anyone affiliated with any entity or person that employs the director or has sponsored the director's election to the Board. These obligations continue even after service on the Board has ended. Any questions or concerns about potential disclosures should be directed to the General Counsel, who then may communicate with the President and Chief Executive Officer or the Nominating and Corporate Governance Committee regarding those potential disclosures.

## Breaches of Duties

41. The conduct of the Individual Defendants complained of herein involves a knowing and culpable violation of their obligations as officers and directors of Snap, the absence of good faith on their part, and a reckless disregard for their duties to the Company that the Individual Defendants were aware or reckless in not being aware posed a risk of serious injury to the Company.

42. The Individual Defendants, because of their positions of control and authority as officers and/or directors of Snap, were able to and did, directly or indirectly, exercise control over the wrongful acts complained of herein. The Individual Defendants also failed to prevent the other Individual Defendants from taking such illegal actions. As a result, and in addition to the damage the Company has already incurred, Snap has expended, and will continue to expend, significant sums of money.

## Additional Duties of the Audit Committee Defendants

43. In addition to these duties, the Audit Committee Defendants, defendants Meresman, Miller, and Young, pursuant to the Audit Committee Charter, owed specific duties to Snap to assist the Board. In particular, the Audit Committee Charter provides that the purpose of the Audit Committee, among other things, is to: (i) "help the Board of Directors oversee Snap Inc.'s corporate accounting and financial reporting processes, systems of internal control, and financial-statement audits"; (ii) "review

1 any reports or disclosures required by applicable rules and regulations of the SEC and applicable stock  
2 exchange"; (iii) "oversee the organization and performance of Snap Inc.'s internal audit function"; and  
3 (iv) "provide regular reports and information to the Board with respect to material issues."

4 44. The Audit Committee Charter further charges the Audit Committee with "oversee[ing]  
5 Snap Inc.'s financial reporting process on behalf of the Board." Included among the Audit Committee's  
6 duties are:

7 **6. Audited Financial Statement Review; Quarterly and Annual Reports.** The Audit  
8 Committee will review the annual audited financial statements and quarterly financial  
9 statements with Snap Inc. management and the independent auditors. The Audit  
10 Committee will be responsible for recommending to the Board whether the proposed  
11 annual audited financial statements should be included in Snap Inc.'s Annual Report on  
12 Form 10-K.

11 **7. Earnings Announcements.** The Audit Committee will review and discuss with Snap  
12 Inc. management and the independent auditors any earnings press releases and other  
13 financial information regarding Snap Inc.'s results of operations.

13 \* \* \*

14 **9. Accounting Principles and Policies.** The Audit Committee will review and discuss  
15 with Snap Inc. management and the independent auditors significant issues regarding...  
16 any other significant reporting issues and judgments, significant regulatory, legal, and  
17 accounting initiatives, or developments that may have a material impact on Snap Inc.'s  
18 financial statements, compliance programs, and policies.

18 45. The Audit Committee Charter also requires the Audit Committee to review the  
19 Company's internal controls regarding risk assessment. In particular, the Charter states:

20 **Risk Assessment and Management.** The Audit Committee will review and discuss with  
21 Snap Inc. management and the independent auditors Snap Inc.'s policies on financial risk  
22 management and assessment. The Audit Committee will provide regular reports to the  
23 Board about material issues affecting the quality or integrity of Snap Inc.'s financial  
24 statements, compliance with legal or regulatory requirements, the performance or  
25 independence of the independent auditors, the performance of Snap Inc.'s internal audit  
26 function, and other matters as the Audit Committee deems appropriate.

25 46. Finally, the Audit Committee Charter requires the Audit Committee to "review with Snap  
26 Inc. management legal and regulatory compliance and any actual, pending, or threatened legal or  
27 financial matters that could significantly affect Snap Inc.'s business or financial statements."  
28



1                   **CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION**

2           47.     In committing the wrongful acts alleged herein, the Individual Defendants have pursued,  
3 or joined in the pursuit of, a common course of conduct, and have acted in concert with and conspired  
4 with one another in furtherance of their common plan or design. In addition to the wrongful conduct  
5 herein alleged as giving rise to primary liability, the Individual Defendants further aided and abetted  
6 and/or assisted each other in breaching their respective duties.

7           48.     During all times relevant hereto, the Individual Defendants, collectively and individually,  
8 initiated a course of conduct that was designed to and did: (i) deceive the investing public, including  
9 stockholders of Snap, regarding the Individual Defendants' management of Snap's operations; (ii)  
10 facilitate the Insider Selling Defendant's illicit sale of nearly \$900 million worth of their personally held  
11 shares while in possession of material, nonpublic information; and (iii) enhance the Individual  
12 Defendants' executive and directorial positions at Snap and the profits, power, and prestige that the  
13 Individual Defendants enjoyed as a result of holding these positions. In furtherance of this plan,  
14 conspiracy, and course of conduct, the Individual Defendants, collectively and individually, took the  
15 actions set forth herein.

16           49.     The Individual Defendants engaged in a conspiracy, common enterprise, and/or common  
17 course of conduct. During this time, the Individual Defendants caused the Company to issue improper  
18 financial statements.

19           50.     The purpose and effect of the Individual Defendants' conspiracy, common enterprise,  
20 and/or common course of conduct was, among other things, to disguise the Individual Defendants'  
21 violations of law, breaches of fiduciary duty, waste of corporate assets, and unjust enrichment; and to  
22 conceal adverse information concerning the Company's operations, financial condition, and future  
23 business prospects.

24           51.     The Individual Defendants accomplished their conspiracy, common enterprise, and/or  
25 common course of conduct by causing the Company to purposefully or recklessly release improper  
26 statements. Because the actions described herein occurred under the authority of the Board, each of the  
27 Individual Defendants was a direct, necessary, and substantial participant in the conspiracy, common  
28 enterprise, and/or common course of conduct complained of herein.

1        52. Each of the Individual Defendants aided and abetted and rendered substantial assistance  
2 in the wrongs complained of herein. In taking such actions to substantially assist the commission of the  
3 wrongdoing complained of herein, each Individual Defendant acted with knowledge of the primary  
4 wrongdoing, substantially assisted in the accomplishment of that wrongdoing, and was aware of his or  
5 her overall contribution to and furtherance of the wrongdoing.

6                    **IMPORTANT EVENTS AND FACTS RELATED TO THIS LITIGATION**

7        53. Defendants Spiegel and Murphy founded Snap in 2010. Snap describes itself as a  
8 "camera company." In reality, however, it owns a social media messaging application, Snapchat, that is  
9 the focus of the Company's business. Formerly known as Snapchat, Inc., the Company changed its  
10 name to Snap Inc. in 2016.

11        54. The Company's primary revenue source is advertising. The Company's KPIs, especially  
12 DAU, are major factors companies consider when decided whether to purchase advertising. Snap's KPIs  
13 attempt to show how many people are using an application, for how long, and how engaged the person  
14 is.

15        55. Since it began commercial operations in 2011, the Company has never been profitable.  
16 As of its most recent quarter, Snap has accumulated a deficit of \$5.9 billion. As the defendants explained  
17 in the Offering Documents, since Snap was (and remains) unprofitable, the Company, and thus  
18 investors, should "assess the health of [Snap's] business by measuring Daily Active Users because [it]  
19 believe[s] that this metric is the most reliable way to understand engagement on [its] platform." The  
20 Offering Documents also stated that "Daily user engagement with [its] products is a critical component  
21 to [Snap's] business because it influences [the Company's] advertising inventory as well as [its]  
22 expenses."

23        56. As explained in more detail below, the Company's KPIs, and in particular DAUs, were  
24 unreliable and misstated. Further, the Individual Defendants knew about these problems with the DAUs  
25 in particular, as the result of, among other things, the warnings of former Snap employee Pompliano.  
26 Pompliano was a former Facebook employee that certain of the Individual Defendants lured to the  
27 Company. Once at Snap, Pompliano discovered that the Company was overstating its DAU metrics and  
28 was using unreliable programs to track DAUs. Pompliano raised these concerns to the highest levels of

1 the Company, including defendant Spiegel. Defendant Spiegel, however, dismissed Pompliano's  
2 concerns and terminated his employment with Snap.

3 57. As a result, Pompliano filed a lawsuit against Snap for wrongful termination, among  
4 other claims. The complaint initiating the lawsuit was filed under seal, thus preventing the public from  
5 learning about the alleged wrongdoing. However, both Pompliano's data metrics concerns and his  
6 lawsuit were discussed by the Board at its meetings.

7 58. In addition to Snap's faulty metrics, it was increasingly facing competition. In particular,  
8 in August 2016, Facebook's competition application to Snapchat, Instagram, released "Stories," which  
9 duplicated much of Snapchat's functions. As explained below, and which the Individual Defendants  
10 knew, Instagram Stories was growing significantly faster than Snapchat and was slowing DAU growth.  
11 This information, however, was not disclosed to the investing public.

#### 12 **IMPROPER STATEMENTS**

13 59. The Individual Defendants' improper statements began in the lead up to Snap's IPO. The  
14 financial and technology media was closely scrutinizing Snap as it prepared for its offering. About a  
15 month before the IPO, Pompliano filed his initial complaint under seal on January 4, 2017. While the  
16 contents of the complaint were unavailable, the media recognized the parties and began to ask Snap  
17 about the lawsuit. In response, the Company claimed the lawsuit "ha[d] no merit" and was "totally made  
18 up by a disgruntled former employee." Snap continued to make similar disparaging comments when it  
19 moved to keep Pompliano's complaint under seal on January 18, 2017, calling it a "late-breaking bid" to  
20 stickup the Company before its IPO. Snap also stated that the "allegations against Snap are false from  
21 top to bottom and right out of his allege-fraud-against-former-employers playbook."

22 60. In connection with the IPO, the Company filed its Registration Statement and Prospectus  
23 (the "Offering Documents").<sup>2</sup> Defendants Spiegel, Murphy, Vollero, Coles, Lafley, Lasky, Lynton,  
24 Meresman, Miller, and Young signed the Offering Documents. The Offering Documents were  
25

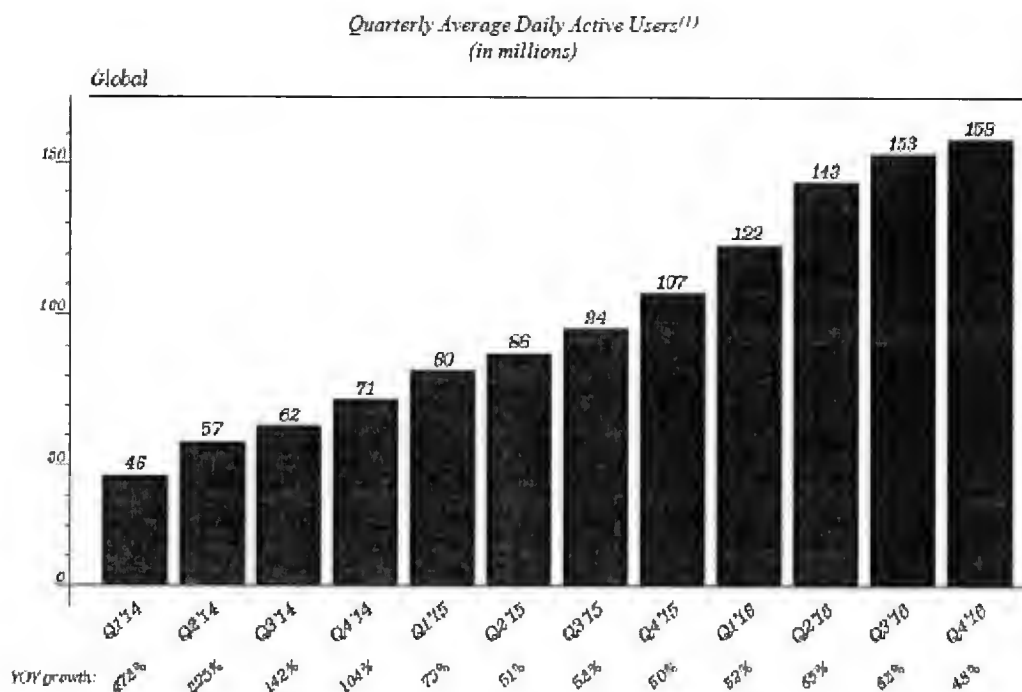
26  
27 <sup>2</sup> The preliminary versions of the Offering Documents were filed with the SEC on Form S-1 on February  
28 2, 2017. Snap subsequently filed amendments to the Offering Documents on February 9, 2017,  
February 16, 2017, and February 27, 2017.

1 materially misleading as they failed to disclose known facts concerning the impact of Instagram Stories'  
2 function, the untrustworthy DAU data, and Pompliano's lawsuit.

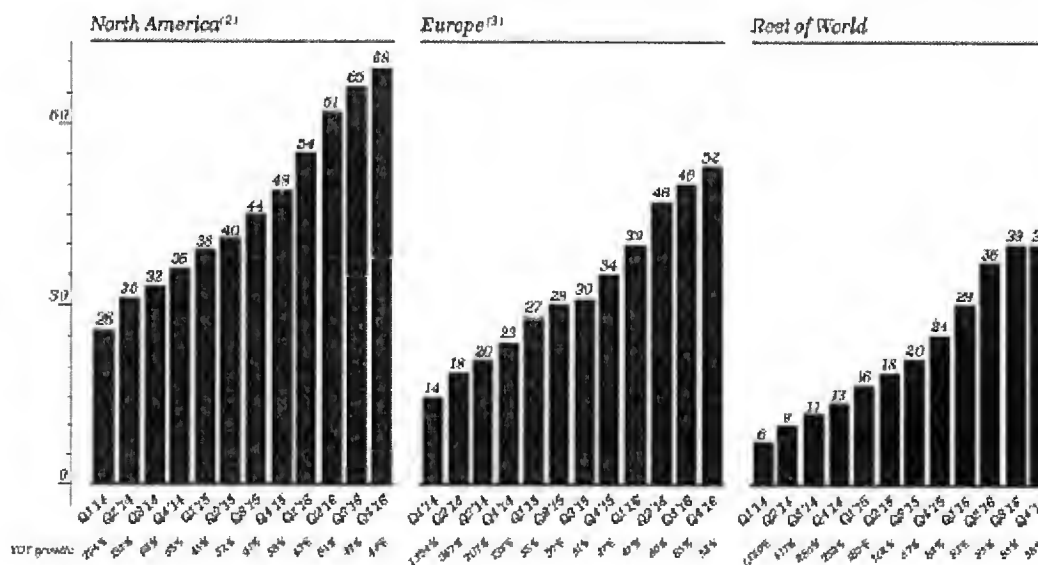
3 61. In particular, the Offering Documents repeatedly discuss the Company's DAUs, claiming  
4 that as of the fourth quarter of 2016, Snap had 158 million DAUs, a year-over-year growth of 48%. The  
5 Offering Documents point this out when discussing its product: "Our flagship product, Snapchat, is a  
6 camera application that was created to help people communicate through short videos and images....  
7 On average, *158 million people use Snapchat daily*, and over 2.5 billion Snaps are created every day."  
8 They do so again when discussing the risks to investors, while noting that DAUs is a critical measure,  
9 stating, "We had 158 million Daily Active Users on average in the quarter ended December 31, 2016,  
10 and we view Daily Active Users as a critical measure of our user engagement." Once again, this amount  
11 of DAUs is mentioned in the "Overview" of Snap, stating, "On average, 158 million people use  
12 Snapchat daily, and over 2.5 billion Snaps are created every day." When discussing the DAU metric,  
13 the Offering Documents stated:

14 We assess the health of our business by measuring Daily Active Users because we  
15 believe that this metric is the most reliable way to understand engagement on our  
16 platform. It helps us understand if people are continuing to invest their time, energy, and  
17 creativity in our products. Daily engagement also influences our advertising inventory.  
18 We had 158 million Daily Active Users on average in the quarter ended December 31,  
19 2016, an increase of 48% as compared to our Daily Active Users in the quarter ended  
20 December 31, 2015.

21 62. The Offering Documents also contained the following chart, demonstrating the 158  
22 million users and the 48% year-over-year growth:  
23  
24  
25  
26  
27  
28



63. Defendants included similar charts discussing the Company's supposed growth in DAUs based on different regions around the world. In particular, the Offering Documents stated:



64. The regions for growth were important to investors because the Company stated its innovations were best suited for developed markets, stating, "We expect growth to continue to come from developed markets with readily available high-speed cellular internet and high-end mobile devices because we prioritize our investment in product innovation that often requires a lot of bandwidth and

1 intensive processing."

2 65. The Offering Documents admitted that the "[t]he rate of net additional Daily Active  
3 Users was relatively flat in the early part of the quarter ended December 31, 2016," but downplayed any  
4 concerns by stating that growth was historically "lump[y]," that its flatness was "primarily related to  
5 accelerated growth in user engagement earlier in the year..." and that DAU growth "accelerated in the  
6 month of December."

7 66. The Offering Documents explained that slowing growth in Snap's core markets of North  
8 America and Europe was a result of success in previous quarters. In particular, the Offering Documents  
9 stated:

10 The rate of net additional Daily Active Users accelerated in the first half of 2016  
11 compared to the second half of 2015, largely due to increased user engagement from  
12 product launches and increased adoption rates among older demographics and  
13 international markets. This created a higher baseline of Daily Active Users heading into  
the third and fourth quarters, so incremental net additions within these quarters were  
more difficult even with strong year-over-year growth.

14 67. Further, the defendants had the Company partly blame its flat growth on "diminished  
15 product performance and increased competition," which "especially impacted the growth of [DAUs]  
16 outside of North America and Europe." Regarding the diminished product performance, the Company  
17 attempted to claim the issue was mainly isolated outside of the core markets of North America and  
18 Europe, stating:

19 ...[I]n mid-2016, we launched several products and released multiple updates, which  
20 introduced a number of technical issues that diminished the performance of our  
21 application. We believe these performance issues resulted in a reduction in the growth of  
our Daily Active Users, particularly among Android users.... We believe that the effect  
of some of these factors is amplified in countries outside of North America and Europe  
due to infrastructure and user behavior.

22 68. Despite Facebook already introducing "Stories" to Instagram, a practical carbon copy of  
23 Snap's features, the Offering Documents merely claimed that it "may be directly competitive." The  
24 Offering Documents contained similar language about possible risks of competitors copying its  
25 products, without explaining that it actually occurred and was negatively affecting the Company. In  
26 particular, the Offering Documents stated under "factors that could negatively affect user retention,  
27 growth, and engagement," would be if "users increasingly engage with competing products instead of  
28

1 ours" and that "our competitors may mimic our products and therefore harm our user engagement and  
2 growth."

3 69. The defendants knew that the DAU metric was unreliable and there were credible  
4 allegations raised about this unreliability. Yet, this information was not disclosed in the Offering  
5 Documents. Instead, it stated that the Company's metrics were "calculated using internal company data"  
6 that was "based on what we believe to be reasonable estimates of our user base for applicable period of  
7 measurement."

8 70. In addition, the Offering Documents stated the following concerning a reduction in  
9 previously stated DAUs, without ever mentioning the reduction was prompted by a review from an  
10 internal whistleblower or that the whistleblower sued the Company for retaliation after he was  
11 terminated for bringing Snap's faulty DAU metric to insiders' attention:

12 In the past we have relied on third-party analytics providers to calculate our metrics, but  
13 today we rely primarily on our analytics platform that we developed and operate. For  
14 example, before June 2015, we used a third party that counted a Daily Active User when  
15 the application was opened or a notification was received via the application on any  
16 device. We now use an analytics platform that we developed and operate and we count a  
17 Daily Active User only when a user opens the application and only once per user per day.  
18 We believe this methodology more accurately measures our user engagement.  
19 Additionally, to align our pre-June 2015 Daily Active Users with this new methodology,  
20 we reduced our pre-June 2015 Daily Active Users by 4.8%, the amount by which we  
21 estimated the data generated by the third party was overstated. Since this adjustment is an  
22 estimate, the actual pre-June 2015 Daily Active Users may be higher or lower than our  
23 reported numbers. As a result, our metrics may not be comparable to prior periods

24 71. This failure to include the reasons behind the Company's restatement of user metrics,  
25 namely Pompliano's whistleblower action, rendered the discussion above improper. This is particularly  
26 true because the Offering Documents noted that Snap's user metrics, including its most important metric,  
27 DAUs, had to be reliable. In particular, the Offering Documents stated, "[R]eal or perceived  
28 inaccuracies in [user] metrics may seriously harm and negatively affect our reputation and our business."  
The Offering Documents continued:

29 If advertisers, partners, or investors do not perceive our user, geographic, or other  
30 demographic metrics to be accurate representations of our user base, or if we discover  
31 material inaccuracies in our user, geographic, or other demographic metrics, our  
32 reputation may be seriously harmed.

1  
2 72. Also missing from the Offering Documents was any discussion of Pompliano's lawsuit,  
3 which was filed under seal. This omission was improper for two reasons. Under Generally Accepted  
4 Accounting Principles, Accounting Standards Codification Topic 450 ("ASC 450"), the Company was  
5 obligated to disclose all contingencies "reasonably possible" to result in a material loss. In such  
6 circumstances, the company must either disclose the loss or disclose the nature of the contingency and  
7 explain why the loss is not estimable. ASC 450-20-55-13 provides that a loss contingency involving a  
8 filed claim must be disclosed if there is a reasonable possibility that the outcome will be unfavorable.  
9 Here, despite the likelihood of the Pompliano lawsuit resulting in an unfavorable outcome, the Offering  
10 Documents failed to disclose it.

11 73. Defendants admit in the Offering Documents that such a lawsuit is material. In  
12 particular, the Offering Documents explain:

13 *From time to time, we are involved in class-action lawsuits and other litigation matters*  
14 *that are expensive and time-consuming. If resolved adversely, lawsuits and other*  
15 *litigation matters could seriously harm our business.*

16 \* \* \*

17 Any such negative outcome could result in payments of substantial monetary damages or  
18 fines, or changes to our products or business practices, and accordingly our business  
19 could be seriously harmed. Although the results of lawsuits and claims cannot be  
20 predicted with certainty, we do not believe that the final outcome of those matters that we  
21 currently face will seriously harm our business.

22 74. The Offering Documents discuss other litigation besides the Pompliano lawsuit. In  
23 particular, the Offering Documents discussed two lawsuits, one concerning a claim that Snap improperly  
24 used the plaintiff's image and the second concerning a personal injury. By disclosing these two lawsuits,  
25 but not the Pompliano lawsuit, the Offering Documents misleadingly implied that these were the only  
26 pieces of litigation pending against the Company.

27 **THE TRUTH EMERGES WHILE DEFENDANTS CONTINUE TO MISLEAD THE PUBLIC**

28 75. The truth behind the Company's business prospects and Individual Defendants'  
wrongdoing began to emerge when media started to report on Pompliano moving to unseal his  
complaint. On April 4, 2017, *Business Insider* reported that "[c]urrently redacted portions of



1 Pompliano's lawsuit contain user metrics that he claims are different from what Snap told investors and  
2 the press ahead of its February IPO." The article explained that in opposing to the motion to seal,  
3 Pompliano will argue that:

4 "Snap's outsized valuation is built on a house of cards" that has been "systematically built  
5 through a coordinated effort from Snap's executives to personally reward themselves with  
6 billions of dollars by maliciously manipulating metrics, suppressing metrics that put the  
7 company in a negative light, and even, at times, blatantly misleading professional  
investors, employees, advertisers, and now, retail investors."

8 76. On this news, Snap's market capitalization plunged 6.5%, or \$1.44 per share, on April 15,  
9 2017, to close at \$20.70 per share, erasing \$953 million in market capitalization in a single day.

10 77. Losing the public relations (and likely legal) battle, on April 10, 2017, the Company filed  
11 an unsealed version of Pompliano's complaint. With the complaint unsealed, the public was now able to  
12 review Pompliano's allegations. What they found was that Pompliano's analysis about the DAUs being  
13 overstated was correct. For instance, *Fortune* magazine wrote on April 13, 2017, stated:

14 Snap vociferously denies misrepresenting its user metrics.... [W]hat Snap does not  
15 dispute is that the discrepancy underlying Pompliano's argument actually existed.... For  
16 investors, though, whether or not Snap exaggerated the user number matters less at this  
point than the fact that Pompliano's lower number turned out to be right.

17 78. On May 10, 2017, Snap announced its financial results for the first quarter of 2017. The  
18 Company disappointingly announced a DAU growth of only 5% quarter-over-quarter, from 158 million  
19 to 166 million. This number meant that the Company had thirty-four million *fewer* users than Instagram  
20 Stories. On this news, the Company's market capitalization plunged 21%, or \$4.93 per share, to close at  
21 \$18.05 per share on May 11, 2017, erasing more than \$3.3 billion in market capitalization in a single  
22 day.

23 79. However, defendant Spiegel attempted to explain away these disappointing DAU growth  
24 numbers, and, in the process, made additional improper statements. In particular, defendant Spiegel  
25 claimed that the Company was suddenly more focused on the quality of user engagement instead of  
26 growth of DAUs. However, even this was improper, as Instagram Stories was rapidly stealing Snap's  
27 market share *and* holding user engagement. In particular, defendant Spiegel stated:  
28

1 I think the way that we try to help people understand how we think about daily active  
2 user growth is really through the lens of creativity and creation, because we built our  
3 entire business on creation.... I think the most important thing to understand is that really  
4 we think of this daily active user growth as a function or a derivative of the growth in  
5 creation. And so we're really excited about the momentum there.

6 80. Defendant Spiegel also attempted to deflect from Instagram's rapid rise by discussing the  
7 origination of the Company's DAU growth, notably that the Company did not engage in "growth  
8 hacking." In particular, defendant Spiegel stated:

9 I'd love to speak a little bit to the DAU question, because it's a question that we get all the  
10 time. And I think one of the reasons why it's such a popular question is because there's a  
11 lot of this thing in our industry called growth hacking, where you send a lot of push  
12 notifications to users, or you try to get them to do things that might be unnatural or  
13 something like that.

14 And I think while that's the easy way to grow daily actives quickly, we don't think that  
15 those sorts of techniques are very sustainable over the long term. And I think that can  
16 ultimately impact our relationship with the customer.

17 \* \* \*

18 So, ultimately, I think the way that we try to help people understand how we think about  
19 daily active user growth is really through the lens of creativity and creation, because we  
20 built our entire business on creation.

21 81. On May 24, 2017, at the J.P. Morgan Technology, Media, and Telecom Conference,  
22 defendant Khan repeated many of these talking points. In particular, defendant Kahn touted the amount  
23 of time users spent on Snap's platform and, regarding growth hacking, stated, "I think the other thing is  
24 we don't do anything to do growth hacking. We don't spam you all the time to add you as a net user. So  
25 our growth is driven by word-of-mouth and new product launches."

26 82. On August 10, 2017, the Company announced the results from its second quarter of the  
27 2017 fiscal year. Snap reported a disappointing 4% quarter-over-quarter growth in DAUs. In addition,  
28 during the earnings conference call with analysts, defendant Spiegel admitted that the Company engaged  
in "growth hacking," despite his comments from just the previous quarter. In particular, the following  
exchange took place:

1 [Analyst:] So maybe just be clear. What exactly is the growth hacking that others do? If  
2 you sending push communications is not growth hacking, what are others doing that you  
consider to be growth hacking and not real DAU growth?

3 [Defendant Spiegel:] Yes. I think there are plenty of examples online, if you want to go  
4 for a Google. But I think the most important thing for us is that when we're telling you  
5 about content on this service that is really highly relevant to you and from your very close  
6 friends. And I think people, as they become more reliant on push notifications, have sort  
7 of relaxed the standards there, and I think it's important for our business.

8 83. On this news, the Company's market capitalization fell another \$14%, or \$1.94 per share,  
9 to close at \$11.83 per share on August 11, 2017, erasing more than \$1.5 billion in market capitalization  
10 in a single day.

11 84. Demonstrating that the slow DAU growth was a unique issue to Snap, in an article dated  
12 September 25, 2017, *TechCrunch* reported that Instagram had reached 500 million DAUs. *TechCrunch*  
13 explained that "Despite the social network's huge user population, its growth isn't slowing down."

14 85. Defendant Spiegel admitted that he poorly communicated with the investing public.  
15 During Vanity Fair's New Establishment Summit on October 3, 2017, defendant Spiegel stated:

16 Going public was really the right thing for the company, and certainly the right thing at  
17 the time.... One of the things I did underestimate was how much more important  
18 communication becomes.... When you go public you need to explain to a huge new  
19 investor base ... how your business works.

20 86. Further, the Company has now revealed that both the DOJ and SEC are investigating  
21 whether Snap violated the law with the statements made in connection with the IPO.

22 87. Investors in the Company also filed numerous class actions in both state and federal court  
23 against the Company, its underwriters, and certain of its current and former officers and directors. On  
24 June 7, 2018, the U.S. District Court in *In re Snap Inc. Securities Litigation*, No. 2:17-cv-03679-SVW-  
25 AGR (C.D. Cal.), denied the defendants' motion to dismiss under the exacting standards of the Private  
26 Securities Litigation Reform Act. The court held that the plaintiffs in that case adequately plead that the  
27 defendants, with scienter, made misleading statements by failing to disclose the Pompliano lawsuit, by  
28 claiming to not engage in "growth hacking," only to change positions three months later, and failing to  
disclose that Instagram Stories was directly competitive to Snapchat and significantly harming the  
Company's DAU growth.

**REASONS THE STATEMENTS WERE IMPROPER**

88. The statements referenced above were each improper when made because they failed to disclose and misrepresented the following material, adverse facts, which the Individual Defendants knew, consciously disregarded, or were reckless in not knowing:

(a) that the Company was experiencing known but undisclosed trends in slowing DAU growth due to competitors, in particular Instagram;

(b) the Company was losing market share as a result of Instagram Stories' rapid adoption;

(c) the DAU numbers reported by the Company in its Offering Documents were unreliable and likely inflated;

(d) the Pompliano lawsuit contained credible allegations against the Company and represented a material risk; and

(e) Snap engaged in "growth hacking."

**THE INDIVIDUAL DEFENDANTS KNEW THEIR STATEMENTS WERE IMPROPER**

89. Pompliano's lawsuit and the internal documents provided in response to plaintiffs' inspection demands demonstrate that the Individual Defendants knew that the Company's DAU metrics were unreliable, growth was slowing, and that Snap did engage in "growth hacking."

90. Pompliano's complaint revealed that in his short three week employment at Snap, he found rampant mismanagement. When he brought this information to senior executives' attention, including defendant Spiegel, he was terminated for his actions.

91. Pompliano was a former Sergeant in the United States Army. In February 2014, Pompliano joined Facebook, where he led the Growth & Engagement initiatives at that company. In late 2015, a Snap hired Pompliano away from Facebook. Once there, he began evaluating Snap's internal reporting and user metrics. Pompliano found significant control deficiencies over Snap's reporting of user metrics, including untrustworthy and vastly overstated DAU metrics. For instance, Pompliano explained that Snap failed to employ user growth and engagement teams to test key user engagement metrics. In addition, Snap relied on DAUs measured from unreliable third-party sources and programs known as "Flurry" and "Blizzard," that relied on inaccurate data sets. Notably, both of these programs

1 showed that DAUs were below the 100 million that Snap was presenting to the public. In short,  
2 Pompliano found that the Company's user engagement metrics related to DAUs, active user growth rate,  
3 user retention rate, and user registration completion rate were all incorrect. As a result, Snap's  
4 representations to advertisers and others about its user metrics were false.

5 92. Pompliano initially informed Jill Hazelbaker, Snapchat's Vice President of  
6 Communications that the Company needed to stop falsely representing its DAU numbers. Ms.  
7 Hazelbaker stated that she informed defendant Spiegel already that the user metrics were incorrect, but  
8 that he ignored her.

9 93. After speaking to additional executives, Pompliano received a meeting with defendant  
10 Spiegel to present his findings. Pompliano prepared a PowerPoint presentation for the meeting  
11 highlighting the shortcomings at the Company regarding its user metrics. One slide, shown below,  
12 explained that the Company's data is unreliable and inaccurate, many basic tools for testing data were  
13 missing, and that key positions for ensuring data accuracy remained unfilled:

### Room for Improvement

- Data is unreliable and inaccurate
  - Different pipelines report different numbers
  - Few people have confidence in the data
- Many basic tools are missing
  - Dashboards, testing frameworks, targeting tools, etc
- Key positions are unfilled
  - Very few experienced growth engineers
  - No current Growth Marketers
  - Understaffed data team

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24 94. Pompliano presented his findings to defendant Spiegel on September 11, 2015.  
25 Pompliano claims that defendant Spiegel essentially brushed aside Pompliano's concerns at that meeting  
26 and instead was angry at him for presenting this information.  
27  
28

1 95. On or around September 17, 2015, Pompliano sent defendant Spiegel a final draft of the  
2 PowerPoint further discussing the issues he raised regarding Snap's faulty user data. The next day, the  
3 Company terminated Pompliano. According to Pompliano, the executives at the meeting told him that  
4 the termination was directed by defendant Spiegel.

5 96. On January 4, 2017, Pompliano filed a lawsuit under seal against the Company. The  
6 lawsuit detailed the above allegations regarding his wrongful termination and the false growth metrics.

7 97. The members of the Board were aware of Pompliano's lawsuit. On January 27, 2017,  
8 over a month before the Company's IPO, the Board met in Venice, California. Every member of the  
9 Board was present, including defendants Spiegel, Murphy, Coles, Lafley, Lasky, Lynton, Meresman,  
10 Miller, Young, Khan, and Vollero. See [REDACTED].<sup>3</sup> At that meeting, the Board [REDACTED]  
11 [REDACTED]  
12 [REDACTED]

13 98. The Audit Committee also met on January 25, 2017. SNAP220\_001546. Defendants  
14 Merseman, Miller, Young, and Vollaro attended the meeting, among others. At the meeting, the Audit  
15 Committee [REDACTED]

16 99. On January 27, 2017, the Audit Committee met again. During that meeting, [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]

22 100. The Board was also aware that the Company's own actions supported Pompliano's  
23 allegations. [REDACTED]  
24 [REDACTED]  
25 [REDACTED]

26 <sup>3</sup> All references to "SSNAP220\_ \_\_\_\_\_" are from documents produced by Snap in response to  
27 plaintiffs' inspection demands.  
28

[REDACTED]

101. [REDACTED]

[REDACTED]

102. The Board also knew that Instagram was a significant concern for the Company and markets in general. [REDACTED]

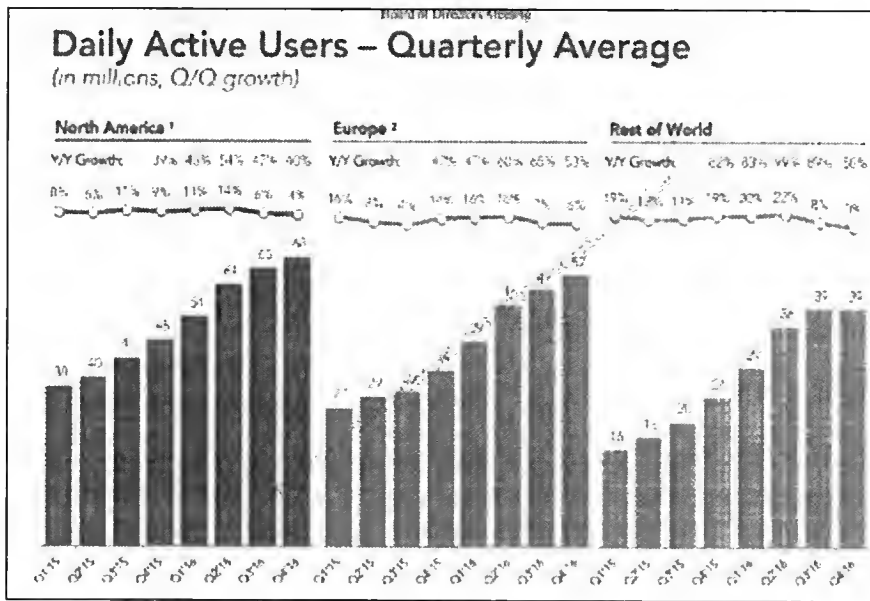
[REDACTED]

103. The Board knew that the Company's growth was significantly slowing. [REDACTED]

[REDACTED]

[REDACTED]

104. The Board was also provided the following slide, which showed the quarterly slowdown in growth throughout the world, including in the vital North American and European markets (SNAP220\_000464):



105. [REDACTED]

106. On February 11, 2017, the Pricing Committee met. Attending this meeting was defendants Spiegel, Lafley, Lasky, Lynton, Meresman, Khan, and Vollero. [REDACTED]

107. Accordingly, the above information demonstrates that Individual Defendants knew the true facts about the Company and its business, yet made and permitted the improper statements detailed herein.

#### INSIDER SALES BY DEFENDANTS SPIEGEL, MURPHY, LYNTON, AND LASKY

108. Rather than providing the market with correct information, the Insider Selling Defendants used their knowledge of Snap's material, nonpublic information to sell their personal holdings while the Company's stock was artificially inflated. As officers and directors of Snap, defendants Spiegel, Murphy, Lynton, and Lasky were privy to material, nonpublic information about the Company's true



business health.

109. While in possession of this knowledge, these defendants sold over \$885 million worth of their personally held Snap stock, as detailed by the table below:

Defendant	Transaction Date	Shares	Price	Proceeds
SPIEGEL	3/7/2017	16,000,000	\$17.00	\$272,000,000.00
Total:		16,000,000		\$272,000,000.00
MURPHY	3/7/2017	16,000,000	\$17.00	\$272,000,000.00
Total:		16,000,000		\$272,000,000.00
LYNTON	3/7/2017	102,670	\$17.00	\$1,745,390.00
Total:		102,670		\$1,745,390.00
LASKY	3/7/2017	20,000,000	\$17.00	\$340,000,000.00
Total:		20,000,000		\$340,000,000.00
Grand Total:		52,102,670		\$885,745,390.00

#### DAMAGES TO SNAP

110. As a result of the Individual Defendants' improprieties, Snap disseminated improper, public statements. These improper statements have devastated Snap's credibility as reflected by the Company's almost \$5.6 billion, or 35%, market capitalization loss.

111. Snap's performance issues also damaged its reputation within the business community and in the capital markets. In addition to price, Snap's current and potential customers consider a company's ability to accurately provide its user metrics. Businesses are less likely to advertise with companies that cannot accurately tell them how many people would view the advertisements. Also, Snap's ability to raise equity capital or debt on favorable terms in the future is now impaired. In addition, the Company stands to incur higher marginal costs of capital and debt because the improper statements and misleading projections disseminated by the Individual Defendants have materially increased the perceived risks of investing in and lending money to the Company.

112. Further, as a direct and proximate result of the Individual Defendants' actions, Snap has expended, and will continue to expend, significant sums of money. Such expenditures include, but are not limited to:

1 (a) costs incurred from defending and paying any settlement or judgement in the class  
2 actions for violations of federal securities laws;

3 (b) costs incurred from defending and paying any settlement or judgment in the  
4 Pompliano lawsuit;

5 (c) costs incurred from and responding to the DOJ and SEC investigations; and

6 (d) costs incurred from compensation and benefits paid to the defendants who have  
7 breached their duties to Snap.

8 113. In addition, since the Insider Selling Defendants utilized the Company's nonpublic  
9 information to sell their stock, they must disgorge any profits from these sales back to Snap.

10 **DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS**

11 114. Plaintiffs bring this action derivatively in the right and for the benefit of Snap to redress  
12 injuries suffered, and to be suffered, by Snap as a direct result of breaches of fiduciary duty, waste of  
13 corporate assets, and unjust enrichment, as well as the aiding and abetting thereof, by the Individual  
14 Defendants. Snap is named as a nominal defendant solely in a derivative capacity. This is not a  
15 collusive action to confer jurisdiction on this Court that it would not otherwise have.

16 115. Plaintiffs will adequately and fairly represent the interests of Snap in enforcing and  
17 prosecuting its rights.

18 116. Plaintiffs were stockholders of Snap at the time of the wrongdoing complained of, have  
19 continuously been stockholders since that time, and are current Snap stockholders.

20 117. The current Board of Snap consists of the following nine individuals: defendants Spiegel,  
21 Murphy, Lynton, Coles, Lafley, Meresmen, Miller, Young, and non-defendant Poppy Thorpe. Plaintiffs  
22 have not made any demand on the present Board to institute this action because such a demand would be  
23 a futile, wasteful, and useless act, as set forth below.

24 **Demand Is Excused Because Defendants Spiegel, Murphy, Lynton, Coles, Lafley, Meresman,  
25 Miller, and Young Face a Substantial Likelihood of Liability for Their Misconduct**

26 118. As alleged above, defendants Spiegel, Murphy, Lynton, Coles, Lafley, Meresmen, Miller,  
27 Young, breached their fiduciary duties of loyalty by knowingly making improper statements in the  
28 Company's SEC filings.

1 119. Defendants Meresman, Miller, and Young, as members of the Audit Committee,  
2 reviewed and approved the improper statements. The Audit Committee's Charter provides that it is  
3 responsible for compliance with accounting, legal, and regulatory requirements. The books and records  
4 produced in response to plaintiffs' inspection demands demonstrate that the directors knew about the  
5 Pompliano lawsuit, the allegations contained therein, and the Company's slowing DAUs. Despite their  
6 knowledge or reckless disregard, the Audit Committee Defendants caused these improper statements.  
7 Accordingly, the Audit Committee Defendants breached their fiduciary duty of loyalty and good faith  
8 because they participated in the wrongdoing described herein. Thus, the Audit Committee Defendants  
9 face a substantial likelihood of liability for their breach of fiduciary duties so any demand upon them is  
10 futile.

11 120. Defendants Spiegel, Murphy, and Lynton sold Snap stock under highly suspicious  
12 circumstances. As shown by the books and records provided in response to plaintiffs' inspection  
13 demands, the Insider Selling Defendants knew about the Pompliano lawsuit and its allegations. They  
14 also knew about the slowing DAU growth and the harm caused by Instagram Stories. Moreover, they  
15 knew that investors would deeply care about this information and would drive down the Company's  
16 stock price.

17 121. Any suit by the current directors of Snap to remedy these wrongs would expose  
18 defendants Spiegel, Murphy, Lynton, Coles, Lafley, Meresmen, Miller, and Young, and Snap to liability  
19 for violations of the federal securities laws in the pending consolidated securities class action, and would  
20 result in civil actions being filed against one or more of the other Individual Defendants. If the Board  
21 elects for the Company to press forward with its right of action against defendants Spiegel, Murphy,  
22 Lynton, Coles, Lafley, Meresmen, Miller, and Young in this action, then Snap's efforts would  
23 compromise its defense of the federal consolidated securities class action. Accordingly, demand on the  
24 Board is excused.

25 122. Similarly, defendants Spiegel, Lynton, Lafley, and Meresmen, as members of the Pricing  
26 Committee, were told about the Pompliano lawsuit, the concern over DAU reliability, DAU slowing  
27 growth, and the harm from the release of Instagram Stories. Nevertheless, these defendants made or  
28 approved the wrongful statements detailed above. Accordingly, a demand on defendants Spiegel,

1 Lynton, Lafley, and Merseman is excused.

2 123. The entire Board is breaching its fiduciary duty by failing to investigate the Individual  
3 Defendants' actions. The Company's Code of Conduct explicitly states that it will "form a special  
4 committee represented by independent legal counsel to investigate alleged violations of this Code" by  
5 other fiduciaries. As stated above, the Code of Conduct also explicitly requires compliance with  
6 securities laws. Despite having credible basis to believe directors and officers violated these laws,  
7 including claims that survived a motion to dismiss in the federal consolidated securities class action, the  
8 Board has failed to convene the special committee, as it is required under the Code of Conduct. The  
9 Board's failure to act despite this obligation under the Code of Conduct demonstrates that a demand  
10 upon it is futile.

11 124. A majority of the Board also cannot consider a demand because it lacks independence  
12 from defendant Spiegel. Defendant Spiegel faces a substantial likelihood of liability for his improper  
13 statements and insider sales detailed herein. Defendant Spiegel controls 50.8% of the voting power of  
14 Snap's stock.<sup>4</sup> Thus, he has the ability to appoint or terminate directors as he sees fit.

15 125. Defendant Murphy also faces a substantial likelihood of liability, as described herein.  
16 Moreover, he cofounded the Company with defendant Spiegel and remains an officer of Snap.  
17 Defendant Murphy will not vote to initiate litigation against his fellow cofounder, defendant Spiegel.  
18 Further, defendant Spiegel has terminated cofounders in the past. Defendant Spiegel forced out fellow  
19 cofounder Reggie Brown in 2013. Mr. Brown then had to sue Snap and defendants Spiegel and  
20 Murphy. The litigation settled with Snap paying Mr. Brown \$157.5 million in 2014 as a result of  
21 defendant Spiegel's actions in forcing out Mr. Brown. Defendant Murphy will similarly not risk  
22 defendant Spiegel's wrath by voting to initiate litigation against him.

23 126. Defendant Coles cannot impartially consider a demand to initiate litigation against  
24 defendant Spiegel. Defendant Coles is Chief Content Adviser for Hearst Magazines. Hearst is an  
25

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26 <sup>4</sup> Snap has three classes of stock. Class A common stock, which is the publicly traded stock, has no  
27 voting rights. Class B shares are entitled to one vote per share. Class C shares are entitled to ten votes  
28 per share. Defendants Spiegel and Murphy own all the outstanding Class C shares.

1 editorial partner of Snap with the Company's "Discover Platform." According to media reports,  
2 defendant Coles "played a central role in building Hearst's relationship with Snapchat." In addition,  
3 defendant Coles had to receive special permission from Hearst to join Snap's Board in light of the  
4 potential conflicts of interest. Media has also noted that Coles was an early champion of Snap when  
5 other companies were hesitant. Defendant Coles "developed a strong rapport" with defendant Spiegel as  
6 a result. Further, defendant Coles has significantly increased her own profile as a result. Defendant  
7 Coles would not vote to initiate litigation against defendant Spiegel after so publicly aligning with him.  
8 Defendant Coles is also an advisor to We Are Sweet, a joint venture with Snap, that is a youth-serving  
9 lifestyle and culture publication. *See* SNAP220\_001822. Voting to initiate litigation against defendant  
10 Spiegel runs the risk of her losing this position. Accordingly, demand upon defendant Coles is excused.

11 127. Defendant Lynton is an investor in defendant Lasky's fund, Benchmark Capital.  
12 SNAP220\_001885. Thus, defendant Lynton benefited from Benchmark Capital's sale of \$340 million  
13 worth of Snap's stock at inflated prices. Accordingly, he cannot impartially consider a demand to  
14 initiate litigation against defendant Lasky due to his financial interests.

15 128. A true and correct copy of this Complaint was delivered to Snap prior to being filed with  
16 this Court.

### 17 **FIRST CAUSE OF ACTION**

#### 18 **Against the Individual Defendants and Does 1-25 for Breach of Fiduciary Duty**

19 129. Plaintiffs incorporate by reference and reallege each and every allegation contained  
20 above, as though fully set forth herein.

21 130. The Individual Defendants and Does 1-25 owed and owe Snap fiduciary obligations. By  
22 reason of their fiduciary relationships, the Individual Defendants and Does 1-25, owed and owe Snap the  
23 highest obligation of good faith, fair dealing, loyalty, and due care.

24 131. The Individual Defendants and Does 1-25 and each of them, violated and breached their  
25 fiduciary duties of candor, good faith, and loyalty. More specifically, the Individual Defendants and  
26 Does 1-25 violated their duty of good faith by creating a culture of lawlessness within Snap, and/or  
27 consciously failing to prevent the Company from engaging in the unlawful acts complained of herein.  
28

1 132. As a direct and proximate result of the Individual Defendants' and Does 1-25's breaches  
2 of their fiduciary obligations, Snap has sustained significant damages, as alleged herein. As a result of  
3 the misconduct alleged herein, these defendants are liable to the Company.

4 133. Plaintiffs, on behalf of Snap, have no adequate remedy at law.

5 **SECOND CAUSE OF ACTION**

6 **Against the Individual Defendants and Does 1-25 for Waste of Corporate Assets**

7 134. Plaintiffs incorporate by reference and reallege each and every allegation contained  
8 above, as though fully set forth herein.

9 135. As a result of the wrongdoing detailed herein to the Company by failing to conduct  
10 proper supervision, the Individual Defendants and Does 1-25 have caused Snap to waste its assets by  
11 paying improper compensation and bonuses to certain of its executive officers and directors that  
12 breached their fiduciary duty.

13 136. As a result of the waste of corporate assets, the Individual Defendants and Does 1-25 are  
14 liable to the Company.

15 137. Plaintiffs, on behalf of Snap, have no adequate remedy at law.

16 **THIRD CAUSE OF ACTION**

17 **Against the Individual Defendants and Does 1-25 for Unjust Enrichment**

18 138. Plaintiffs incorporate by reference and reallege each and every allegation contained  
19 above, as though fully set forth herein.

20 139. By their wrongful acts and omissions, the Individual Defendants and Does 1-25 were  
21 unjustly enriched at the expense of and to the detriment of Snap. The Individual Defendants and Does  
22 1-25 were unjustly enriched as a result of the compensation and director remuneration they received  
23 while breaching fiduciary duties owed to Snap.

24 140. The Insider Selling Defendants sold Snap stock while in possession of material,  
25 nonpublic information that artificially inflated the price of Snap stock. As a result, these defendants  
26 profited from their misconduct and were unjustly enriched through their exploitation of material and  
27 adverse inside information.

1 141. Plaintiffs, as stockholders and representatives of Snap, seek restitution from these  
2 defendants, and each of them, and seek an order of this Court disgorging all profits, benefits, and other  
3 compensation obtained by these defendants, and each of them, from their wrongful conduct and  
4 fiduciary breaches.

5 142. Plaintiffs, on behalf of Snap, have no adequate remedy at law.

6 **PRAYER FOR RELIEF**

7 WHEREFORE, plaintiffs, on behalf of Snap, demand judgment as follows:

8 A. Against all of the defendants and in favor of the Company for the amount of damages  
9 sustained by the Company as a result of the defendants' breaches of fiduciary duties, waste of corporate  
10 assets, and unjust enrichment;

11 B. Directing Snap to take all necessary actions to reform and improve its corporate  
12 governance and internal procedures to comply with applicable laws and to protect Snap and its  
13 stockholders from a repeat of the damaging events described herein, including, but not limited to,  
14 putting forward for stockholder vote, resolutions for amendments to the Company's Bylaws or Articles  
15 of Incorporation and taking such other action as may be necessary to place before stockholders for a  
16 vote of the following corporate governance policies:

- 17 1. a proposal to strengthen the Company's controls over financial reporting;  
18 2. a provision to permit the stockholders of Snap to nominate at least three  
19 candidates for election to the Board;  
20 3. a provision to control insider selling;  
21 4. a proposal to strengthen the Board's supervision of operations and develop and  
22 implement procedures for greater stockholder input into the policies and guidelines of the Board; and  
23 5. a proposal to strengthen Snap's oversight of its disclosure procedures;

24 C. Extraordinary equitable and/or injunctive relief as permitted by law, equity, and state  
25 statutory provisions sued hereunder, including attaching, impounding, imposing a constructive trust on,  
26 or otherwise restricting the proceeds of defendants' trading activities or their other assets so as to assure  
27 that plaintiffs on behalf of Snap have an effective remedy;

1 D. Awarding to Snap restitution from defendants, and each of them, and ordering  
2 disgorgement of all profits, benefits, and other compensation obtained by the defendants, including all  
3 ill-gotten gains from insider selling by defendants;

4 E. Awarding to plaintiffs the costs and disbursements of the action, including reasonable  
5 attorneys' fees, accountants' and experts' fees, costs, and expenses; and

6 F. Granting such other and further relief as the Court deems just and proper.

7 **JURY DEMAND**

8 Plaintiffs demand a trial by jury.

9 Dated: March 12, 2019

10 ROBBINS ARROYO LLP  
11 BRIAN J. ROBBINS  
12 FELIPE J. ARROYO  
13 CRAIG W. SMITH  
14 SHANE P. SANDERS

15   
16 BRIAN J. ROBBINS

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18 San Diego, CA 92122  
19 Telephone: (619) 525-3990  
20 Facsimile: (619) 525-3991  
21 E-mail: brobbins@robbinsarroyo.com  
22 farroyo@robbinsarroyo.com  
23 csmith@robbinsarroyo.com  
24 ssanders@robbinsarroyo.com

25 Attorneys for Plaintiffs

26 1338947  
27  
28



# EXHIBIT 2

04/15/2019

**AGREEMENT GOVERNING THE  
INSPECTION OF CONFIDENTIAL MATERIAL**

IT IS HEREBY AGREED, by and between the undersigned parties (the "Parties"), as follows:

1. This Agreement Governing the Inspection of Confidential Material (the "Agreement") governs the handling of Confidential Material, as defined in paragraph 2 herein (hereinafter collectively referred to as "Confidential Material"), produced by Snap Inc. (the "Company") for inspection in response to the demands from Zalman Uvaydov and David Shabbouei (the "Demanding Parties") for the inspection of certain books and records of the Company pursuant to 8 Del. C. § 220 (the "Demand").

2. For purposes of this Agreement, the Company may designate documents or materials as Confidential Material that include, without limitation, information relating to: trade secrets; business plans or strategies; marketing plans or strategies; financial information, reports, projections or analyses; product design or development, technical or clinical information; tax data; proposed strategic transactions, strategic alternatives, or business combinations; information that the Company is under a legal obligation to maintain as confidential, including, without limitation, information obtained from a third party pursuant to a Nondisclosure Agreement; medical information; personal financial information; personnel information or similar operational or competitive matters; or other personally or commercially sensitive or proprietary information; and information derived therefrom. Confidential Material shall not include information which: (a) is or becomes generally available to the public other than as a result of disclosure by the Demanding Parties or their representatives, including their counsel, consultants, advisors, or other agents ("Representatives"); (b) the Demanding Parties or their Representatives can show was available to the Demanding Parties or their Representatives

on a non-confidential basis prior to its disclosure by the Company; or (c) becomes available to the Demanding Parties or their Representatives on a non-confidential basis from another person, which is defined to include, without limitation, any real person or legal or business entity who properly obtained the Confidential Material and has the authority to provide it to the Demanding Parties.

3. The designation of documents or other materials by the Company as Confidential Material for purposes of this Agreement shall be made by affixing the legend "Confidential" to each page containing any Confidential Material except that, in the case of multipage documents bound together by staple or other permanent binding, the appropriate legend need only be stamped on the first page of the document in order for the entire document to be treated as Confidential; *provided* that the failure to designate a document as "Confidential" does not constitute a waiver of the Company's right to designate such information as Confidential Material, and the Company may so designate a document after such document has been produced by notifying the receiving party of such designation in writing, with the effect that such document is subject to the protections of this Agreement from the date of such written designation.

4. Confidential Material or its contents shall not be revealed, disclosed or otherwise made known to persons, directly or indirectly, other than the following:

- (a) The Demanding Parties;
- (b) Robbins Arroyo LLP, solely in its capacity as counsel for the Demanding Parties;
- (c) Experts, advisors, and consultants retained by the Demanding Parties solely for the purposes of conducting the inspection, or providing advice or

assistance to the Demanding Parties relating to the Demand, or exercising or enforcing legal rights as a stockholder of the Company, provided that each such expert, advisor, or consultant shall sign a confidentiality statement in the form attached as Exhibit A, which statements shall be retained by the Demanding Parties' counsel and provided to Company's counsel at their request, and so long as such expert, advisor, or consultant shall not be working in any capacity with any party adverse to the Company in any pending action, including but not limited to, plaintiffs in the pending lawsuits captioned:

- *In re Snap Inc. Securities Litigation*, No. 2:17-cv-03679-SVW-AGR (C.D. Cal.);
- *Hsieh v. Snap Inc., et al.*, No. BC669394 (Cal. Super Ct.);
- *Iuso v. Snap Inc., et al.*, No. 17CIV03710 (Cal. Super Ct.);
- *Ghosh v. Snap Inc., et al.*, No. 2:18-cv-09587-SVW-AGR (C.D. Cal.);
- *Wolfson v. Evan Spiegel et al.*, No. BC720152 (Cal. Super Ct.);
- *Tseng v. Evan Spiegel et al.*, No. 2018-0778-SG (Del. Ch.);
- *Pokorney v. Evan Spiegel et al.*, No. 18STCV09365 (Cal. Super Ct.);

or any action filed by a party other than the Demanding Parties subsequent to the execution of this agreement, unless the Parties agree otherwise or a court so orders;

(d) court and court personnel, provided the Demanding Parties comply with paragraphs 8 and 11.

5. If the Demanding Parties or their Representatives learn that, by inadvertence or otherwise, they have disclosed Confidential Material to any person or in any circumstance not authorized under this Agreement, the Demanding Parties and their Representatives must: (i) notify the Company in writing of the unauthorized disclosure(s) within three (3) days of the Demanding Parties becoming aware of the disclosure; (ii) use their best efforts to retrieve all copies of the Confidential Material; (iii) inform the person or persons to whom unauthorized disclosures were made of all the terms of this Agreement; and (iv) request that such person or persons execute a confidentiality statement in the form attached hereto as

04/15/2019

Exhibit A. Compliance with the foregoing shall not prevent the Company from seeking further relief.

6. Confidential Material must be stored and maintained by the Demanding Parties and their Representatives at a location and in a secure manner that ensures that access is limited to the persons authorized to have access under this Agreement. Any person receiving Confidential Material pursuant to this Agreement must use reasonable precautions to prevent unauthorized persons from accessing or otherwise viewing Confidential Material.

7. Confidential Material shall not be copied or otherwise reproduced except to the extent such copying or reproduction is reasonably necessary for permitted uses, and all such copies or reproductions shall be subject to the terms of this Agreement.

8. If the Demanding Parties object to the designation of any document as Confidential Material under the terms of this Agreement, the Demanding Parties shall give written notice of their objection to the Company. If the Demanding Parties and the Company are unable to resolve, in good faith, any such disagreement, they agree to submit such dispute to the Court of Chancery for resolution. Until such court enters an order ruling on the confidentiality of the document or other material, it shall be treated as "Confidential Material" pursuant to this Agreement and handled in accordance with the relevant provisions of this Agreement. The parties and their counsel further agree that any dispute or controversy between or among the parties to this Agreement involving or in connection with: the Demand; this Agreement; the documents produced pursuant to this Agreement and in response to the Demand (collectively, "Litigation"), shall be heard and determined exclusively in the Court of Chancery. Each party consents to the exercise of personal jurisdiction over it by the Court of Chancery for purposes of resolving any such Litigation. The Demanding Parties and Robbins Arroyo LLP further agree

that all Confidential Material produced in response to the Demand shall be incorporated by reference into any plenary complaint, including any shareholder derivative complaint, or other pleading filed by the Demanding Parties that relies upon Confidential Material. In addition, the Demanding Parties and Robbins Arroyo LLP further agree that any plenary complaint, including any shareholder derivative complaint, or other pleading filed by the Demanding Parties that relies upon Confidential Material shall be filed in the Superior Court of the State of California, Los Angeles County, or in the Court of Chancery.

9. Each person listed in paragraph 4 hereof and given access to Confidential Material shall be advised that the material or information is being disclosed pursuant to and subject to the terms of this Agreement.

10. Entering into, agreeing to and/or producing or receiving materials or otherwise complying with the terms of this Agreement shall not:

(a) prejudice in any way the rights of the Company to object to the purpose, scope, or form of the Demand or to the inspection or production of documents requested by the Demand, or operate as an admission by the Company that the Demand complies with 8 Del. C. § 220, or that the Company is required by reason of 8 Del. C. § 220 or other applicable law to produce or make available for inspection any information requested by the Demand (including, without limitation, any information voluntarily provided by the Company); or

(b) prejudice in any way the rights of the Company to petition any court or administrative body for a protective order relating to any purportedly confidential information; or

(c) otherwise affect the respective rights of any party to this Agreement concerning discovery and applicable privileges in any action.

11. The Demanding Parties or their Representatives shall make use of any Confidential Material only in exercising or enforcing its legal rights to investigate and/or bring a shareholder derivative action on behalf of the Company in the courts listed in Paragraph 8. Any document containing Confidential Material filed by or referred to in or on behalf of the Demanding Parties in a court proceeding shall be initially filed under seal subject to a confidentiality order consistent with the terms of this Agreement restricting access to such document and the information therein to the court in which such action is filed, court personnel and the persons listed in paragraph 4 hereof.

12. Upon the later of (a) one year from the date of this Agreement or (b) the conclusion of any shareholder derivative litigation filed by the Demanding Parties related to the Confidential Material, the Demanding Parties shall (a) return to the Company the original and all copies of Confidential Material, or (b) certify in writing that such Confidential Material has been destroyed.

13. If the Demanding Parties or their Representatives receive a subpoena or other compulsory process from a non-party to this Agreement seeking production or other disclosure of Confidential Material, the Demanding Parties and/or Robbins Arroyo LLP shall give written notice to the Company in the manner provided in paragraph 15 of this Agreement within three (3) business days after receipt of the subpoena or other compulsory process, unless such subpoena or other compulsory process requires production or other disclosure of Confidential Material or the contents thereof sooner than six (6) calendar days after receipt, in which case such written notice shall be given to the Company in the manner provided in

paragraph 15 as promptly as practicable in order to allow counsel for the Company to seek a protective order or other appropriate remedy. Such written notice shall identify the Confidential Material (or contents thereof) sought and enclose or attach a copy of the subpoena or other compulsory process. The purpose of imposing these duties is to afford the Company an opportunity to try to protect its confidentiality interests in the court from which the subpoena or compulsory process issued. The Company shall bear its own burdens and the expenses of seeking protection of its confidential material. In the event that the Demanding Parties or their Representatives are compelled to disclose Confidential Material in response to a subpoena or other compulsory process, they shall exercise reasonable efforts to obtain confidential treatment of any Confidential Material that is so disclosed.

14. This Agreement has no effect upon, and shall not apply to, the Company's use or dissemination of its own Confidential Material.

15. Any notice required to be given pursuant to this Agreement shall be as follows:

If to the Company, to:

Ignacio E. Salceda, Esq.  
Wilson Sonsini Goodrich & Rosati, P.C.  
650 Page Mill Road  
Palo Alto, California 94304-1050

If to the Demanding Parties, to:

Gregory E. Del Gaizo, Esq.  
Robbins Arroyo LLP  
5040 Shoreham Place  
San Diego, CA 92122




16. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to its principles or rules regarding conflicts of laws.

17. This Agreement sets forth the entire agreement of the Parties regarding the treatment of Confidential Material, supersedes any and all other prior agreements between the parties concerning such treatment, and may not be modified, altered, changed, or terminated except upon the express prior written consent of the Parties.

18. This Agreement may be signed by the parties in counterparts.

ZALMAN UVAYDOV  
DAVID SHABBOUEI

By:   
Gregory E. Del Gaizo, Esq., as attorney-in-fact

Date: 11/17/19

SNAP INC.

By:   
Ignacio E. Salceda, Esq., as attorney-in-fact

Date: Jan. 28, 2019

04/15/2019

**EXHIBIT A**

I hereby certify (i) my understanding that Confidential Material is being provided to me pursuant to the terms and restrictions of the Agreement Governing the Inspection of Confidential Material between Snap Inc. and Zalman Uvaydov and David Shabbouei (the "Agreement"), and (ii) that I have read the Agreement. I understand the terms of the Agreement, I agree to be fully bound by the Agreement, and I hereby submit to the jurisdiction of the courts of the State of Delaware for purposes of enforcement of the Agreement.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

04/15/2019